

# **NATURAL GAS REPORT FOR JANUARY 2015**

## **FUTURES PRICES<sup>1</sup>**

The natural gas futures market price declined during the month of January. The market prices rose at the beginning of the month as weather forecasts called for short term cold temperatures across the eastern two-thirds of the country. Then the market prices trended down for most of the rest of the month while fluctuating along the way. For example, the futures market prices declined when the February 2015 contract settled at \$2.882 per MMBtu on January 6 from warm mid-January weather outlooks. It was the lowest front month contract since September 2012. The downward trend continued, while short term cold temperatures kept the market prices steady, until January 12 when the February contract declined to another record low for a front month contract since September 2012. Revised weather forecasts for a mid-January warmup and robust natural gas production combined with relatively weak heating demand put downward pressures on the market prices. Then, the market prices surged in the middle of the month as longer term winter temperature outlooks were not as warm as previously expected thus prompting speculation for potentially significant winter heating demand. The February contract settled at \$3.233 per MMBtu on January 14, an increase of 29 cents from the previous day. Nevertheless, the market prices resumed their decline for the rest of the month. In particular, the futures market prices fell to the low level not seen for a prompt-month contract since early September 2012 when the March contract settled at \$2.691 per MMBtu on January 30. The February and January contracts were closed at NYMEX at a price of \$2.866 and \$3.189 per MMBtu, respectively. The January contract price was 28% lower than that of last year while the February contract price was 48% lower than that of the same period last year. The February contract expired at \$2.866 per MMBtu on January 28, compared to \$2.889 per MMBtu at the beginning of the month. On February 13, the NYMEX March futures were at \$2.804 per MMBtu compared to \$5.223 per MMBtu last year.

## **U.S. STORAGE LEVELS<sup>2</sup>**

Weather during the month of January was warmer than normal and it was the 24th warmest January on record and marked the warmest January since 2012 according to the National Oceanic and Atmospheric Administration (NOAA). In fact, December 2014 and January 2015 were the sixth warmest December-January period on record and the warmest since 2012. Although the weekly storage withdrawals in the month were steady, they were smaller than historical averages and in particular, the withdrawals were much lower, during the second half of the month, than both the historical averages and those of last year. The only exception to this was when the weekly storage withdrawal for the week ending January 16 was larger than both the historical averages and those of last year. Despite temperatures that were not as cold as the week before, the frigid temperatures during the week ending January 16 resulted in a withdrawal large enough to exceed both the historical averages and those of last year for the same period. Overall, warmer than normal temperatures in the month resulted in relatively weak heating demand and when combined with continued substantial natural gas production, though some production curtailments occurred due to wellhead freeze-offs, may have contributed to the relatively small storage withdrawals in the month. The total storage inventories in the U.S. as of January 30 are 2,428 Bcf, 468 Bcf higher than the year ago level, while the deficit to the five-year average declined to 29 Bcf.

## **SUMMARY**

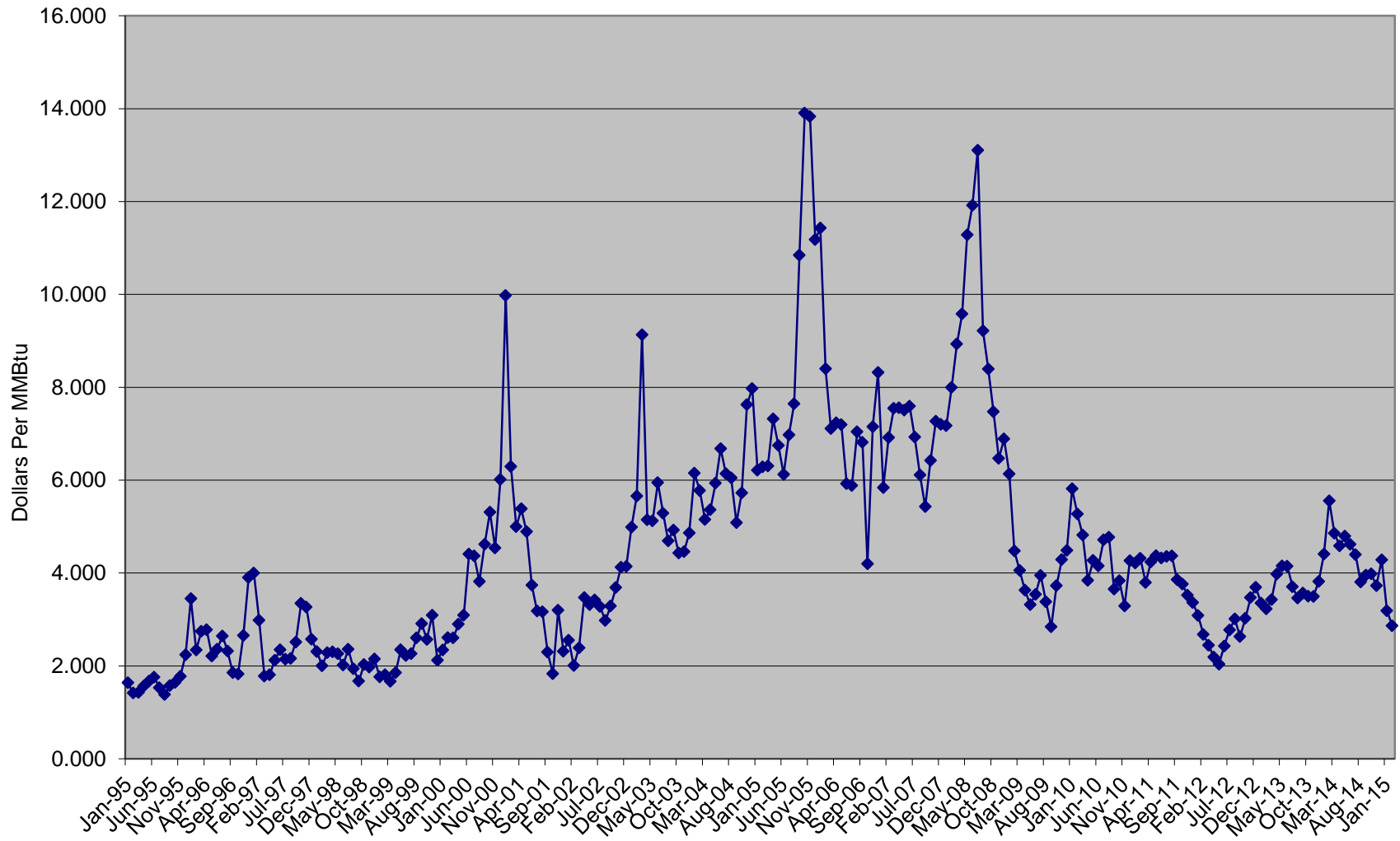
The wholesale price of the natural gas commodity was fully deregulated by the federal government in 1993. Local natural gas distribution companies (LDCs) do not produce the gas they sell but purchase it on an open market at market prices. The Missouri Public Service Commission (PSC) does not regulate the price of the natural gas commodity, but does monitor LDC purchasing decisions. The PSC continues to review the gas purchasing practices of the distribution companies in terms of reasonableness and prudence.

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<sup>1</sup> Data Source: WSJ, CME

<sup>2</sup> Energy Information Administration's Natural Gas Weekly Update

## Monthly Natural Gas Prices



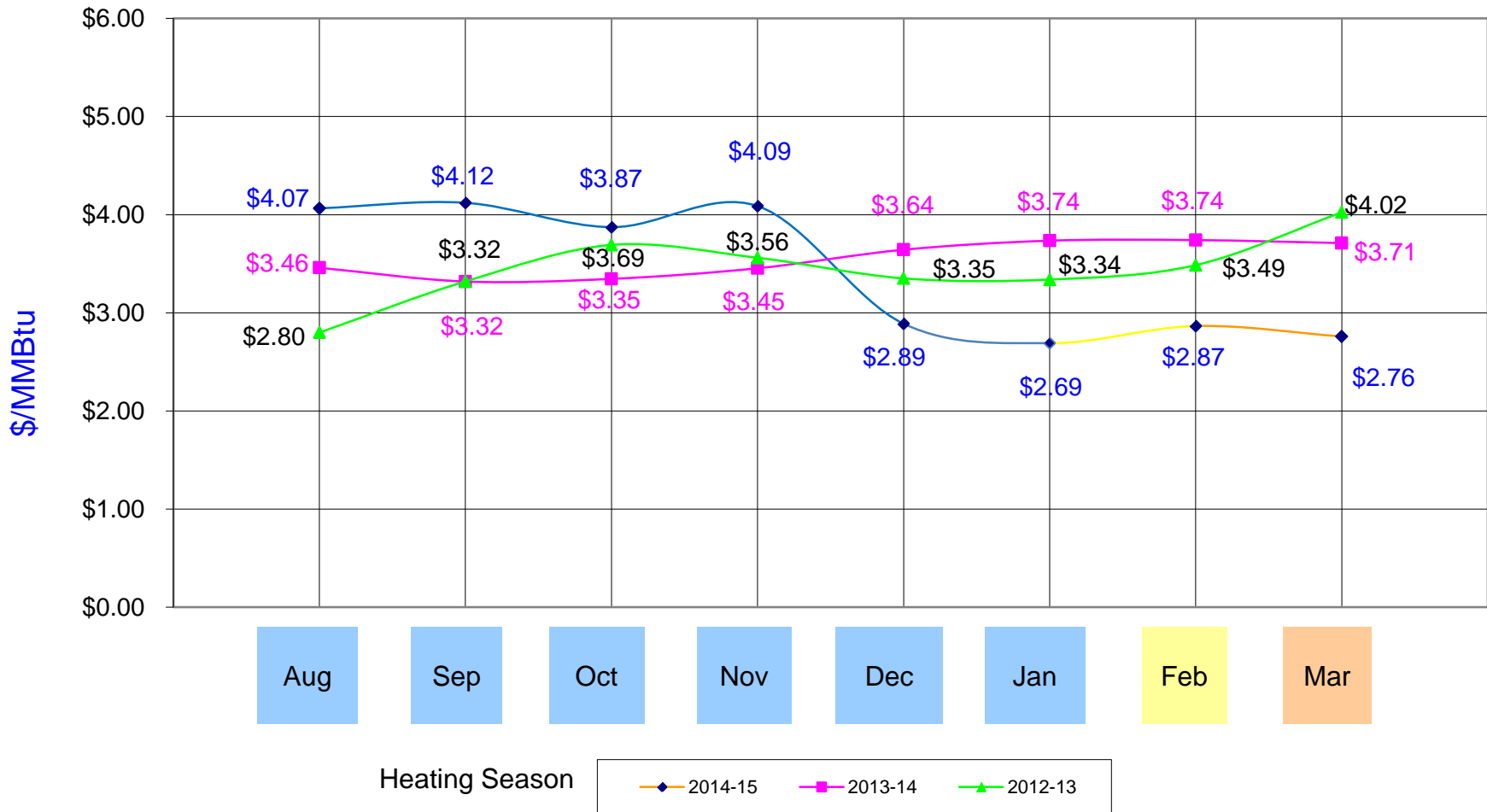
Note 1: 1 Million British Thermal Unit(MMBtu) is approximately equal to 1,000 cubic feet  
Note 2: Monthly Natural Gas Prices Based on the New York Mercantile Exchange(NYMEX) Expiration Prices, Source:WSJ

# NYMEX Natural Gas Commodity Price

Historical Month Price on the Last Trading Day of the Month

Current Month Price on Last Day Traded, 01/28/2015

Future Month Price on 02/17/2015



Missouri PSC, Energy Department, Tariffs/Rate Design. Data Source: NYMEX Henry Hub Natural Gas Settlement Price via TFC Commodity Charts